

RAYROCK RESOURCES LIMITED
(formerly Rayrock Mines Limited)

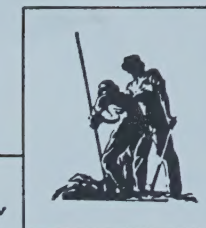
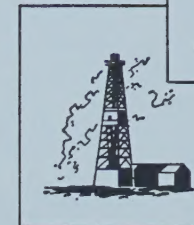
AR44

**CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION**

For the six months ended June 30, 1978

(Unaudited)

	1978	1977
SOURCE OF WORKING CAPITAL		
Current operations —		
Earnings for the period	\$ 73,278	\$ 112,998
Add: Items which did not require the use of working capital —		
Deferred income taxes	40,000	61,000
Share of (income) loss on equity method	(1,640)	19,025
Depreciation and amortization	115,001	48,010
(Gain) on sale of investments	(16,463)	(28,273)
Loss on sale of mine equipment	—	28,417
Advances written off	26,039	—
	<u>236,215</u>	<u>241,177</u>
Proceeds on sale of investments	163,288	94,196
Proceeds on sale of equipment	7,809	43,583
Proceeds on sale of capital stock	9,000	—
Repayment of loans and advances	7,898	4,800
	<u>424,210</u>	<u>383,756</u>
USE OF WORKING CAPITAL		
Purchase of equipment	4,747	1,266
Additions to oil and gas properties	348,664	154,625
Investments and advances	11,256	68,970
	<u>364,667</u>	<u>224,861</u>
INCREASE IN WORKING CAPITAL	59,543	158,895
WORKING CAPITAL — BEGINNING OF PERIOD	1,421,825	968,546
WORKING CAPITAL — END OF PERIOD	<u>\$1,481,368</u>	<u>\$1,127,441</u>



For
**RAYROCK
RESOURCES
LIMITED**

**INTERIM
REPORT**

**FOR SIX
MONTHS ENDED
JUNE 30, 1978**

RAYROCK RESOURCES LIMITED

To the Shareholders:

During the first half of 1978 Rayrock participated in the drilling of 18 exploratory wells located in Alberta, Northeast British Columbia, and Northeast Montana. The results were eight gas wells, one oil well, and nine dry holes, which is a 50 per cent exploration success ratio. In June, Rayrock agreed to finance a 1/8 net interest in a new program operated by Signalta Resources Limited, which will entail a minimum of eight wells. The first well, which has been completed, flowed gas at four million cubic feet per day on a test. It is located in a gas contract area. Rayrock has also agreed to finance 5 per cent of the costs of an oil exploration project in the Palo Dura basin in Texas. The operator is American Petrofina, and drilling is expected to commence before year end. Should four wells be drilled an interest would be earned in 191,000 acres.

During the second half of 1978, it is anticipated that Rayrock will participate in the drilling of some 30 wells in a wide variety of locations.

Revenue from oil and gas production in Ontario and Alberta for the first six months of this year was \$859,613. Some gas wells drilled in 1978 are expected to be on production before year end.

Rayrock owns a 14 per cent direct and 10 per cent indirect interest in Norita Quebec Mines Limited. Recent deep drilling on the Norita property by Orchan Mines Limited has indicated new ore averaging 5.66% zinc, 2.62% copper, 1.19 oz/ton silver, and 0.026 oz/ton gold. The new ore is open to depth and on strike. Norita has a 25 per cent net profits interest in this ore after recovery of preproduction expenditures by Orchan.

Iberian Explorations (Rayrock 21.25% net interest) is exploring 300,000 acres of concessions in Spain for high grade silver-lead veins. Sixteen specific areas of interest have been identified and geological and geochemical work is completed on five of these areas with positive results. Drilling has started on one vein extension; although the first holes were not deep enough to get below the oxidized zone, galena and silver mineralization has been encountered. A second drill has just been added to the program.

The Rayrock-Ryowa Joint Venture, a Northwest Territories uranium exploration project operated by Rayrock, started field work on June 1st. In Wisconsin, a major American mining company has started ground geophysical work on the 23,676 acres of mineral rights owned by Rayrock and Redstone Resources Inc. The Cordex Syndicate (Rayrock 22% net interest) is drilling a uranium property on the Nevada-Oregon boundary. Cordex is also evaluating other properties in Nevada and Arizona.

Net income for the first half of 1978 was \$73,278, or 1.6 cents per share. Your company's policy of substantial investment in a diversified hydrocarbon and mineral exploration program results in modest net profits. Expenditure on oil and gas projects amounted to \$348,664, and mining exploration expenditures were \$249,392. At the end of the period, working capital had increased to \$1,481,368 and listed securities had a market value of approximately \$1,750,000.

On behalf of the Board

J. C. BYRNE
President and Managing Director

Toronto, Canada
July 26, 1978

RAYROCK RESOURCES LIMITED (formerly Rayrock Mines Limited)

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the six months ended June 30, 1978

(Unaudited)

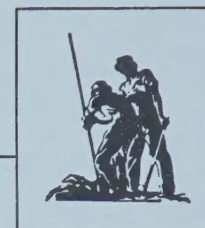
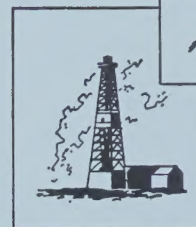
	1978	1977
REVENUE		
Revenue from petroleum operations ...	\$ 859,613	\$ 769,327
Investment income	98,595	117,390
	958,208	886,717
EXPENSES		
Cost of petroleum production	387,884	416,531
Administrative and general	104,025	78,753
Depreciation and amortization	115,001	48,010
	606,910	543,294
EARNINGS BEFORE THE UNDERNOTED ITEMS	351,298	343,423
EXPLORATION EXPENDITURES	249,392	150,400
	101,906	193,023
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	(9,732)	—
Deferred	40,000	61,000
	30,268	61,000
	71,638	132,023
SHARE OF INCOME (LOSS) DETERMINED BY THE EQUITY METHOD	1,640	(19,025)
NET INCOME FOR THE PERIOD	\$ 73,278	\$ 112,998
EARNINGS PER SHARE FOR THE PERIOD	\$ 0.016	\$ 0.025

RAYROCK RESOURCES LIMITED
**CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION**
For the Six Months Ended June 30, 1979
(Unaudited)

	1979	1978
SOURCE OF WORKING CAPITAL		
Current operations		
Earnings for the period	\$ 156,608	\$ 73,278
Add (deduct) items which did not involve the use of working capital		
Deferred income taxes	50,000	40,000
Income on equity method ..	(23,380)	(1,640)
Depreciation and amortization	110,231	115,001
Gain on sale of investments ..	(107,557)	(16,463)
Oil and gas exploration written off	57,095	
Advances written off		26,039
	<u>242,997</u>	<u>236,215</u>
Proceeds on sale of investments	241,210	171,186
Proceeds on sale of equipment		7,809
Proceeds on sale of capital stock		9,000
Gas revenue — deferred	7,913	
	<u>492,120</u>	<u>424,210</u>
USE OF WORKING CAPITAL		
Purchase of equipment	12,887	4,747
Additions to oil and gas properties	239,565	348,664
Investments and advances	221,090	11,256
Purchase of capital stock (net)	33,574	
Mining exploration — deferred	20,940	
	<u>528,056</u>	<u>364,667</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(35,936)	59,543
WORKING CAPITAL — BEGINNING OF PERIOD	1,565,573	1,421,825
WORKING CAPITAL — END OF PERIOD	\$ 1,529,637	\$ 1,481,368

RAYROCK RESOURCES LIMITED
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CONSOLIDATED STATEMENT OF EARNINGS
For the Six Months Ended June 30, 1979
(Unaudited)

	1979	1978
REVENUE		
Revenue from petroleum operations ...	\$ 902,495	\$ 859,613
Investment income	198,478	98,595
	<u>1,100,973</u>	<u>958,208</u>
EXPENSES		
Cost of petroleum production	439,875	387,884
Administrative and general	104,824	104,025
Depreciation and amortization	110,231	115,001
	<u>654,930</u>	<u>606,910</u>
EARNINGS BEFORE THE UNDERNOTED ITEMS	446,043	351,298
EXPLORATION EXPENDITURES	270,315	249,392
	<u>175,728</u>	<u>101,906</u>
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	(7,500)	(9,732)
Deferred	50,000	40,000
	<u>42,500</u>	<u>30,268</u>
	<u>133,228</u>	<u>71,638</u>
SHARE OF INCOME DETERMINED BY THE EQUITY METHOD	23,380	1,640
NET INCOME FOR THE PERIOD	\$ 156,608	\$ 73,278
EARNINGS PER SHARE FOR THE PERIOD	\$ 0.035	\$ 0.016



**RAYROCK
RESOURCES
LIMITED**

**INTERIM
REPORT**

FOR SIX
MONTHS ENDED
JUNE 30, 1979

RAYROCK RESOURCES LIMITED

To the Shareholders:

Rayrock's interests are well diversified — oil and gas production, substantial interests in precious and base metal deposits, and exploration ventures both in Canada and abroad.

The undiscounted cash flow before tax over the life of our oil and gas reserves is calculated by independent consultants at \$24,350,000. During 1979 Rayrock will participate in a minimum of 50 exploration wells and in the acquisition of petroleum acreage at Crown lease sales, all in Western Canada and under the direction of experienced operators with good track records.

Proven oil reserves of 787,000 barrels are contained in two producing oil fields in Ontario and are wholly owned by Rayrock. Gas reserves of 7 billion cubic feet, all in western Canada, are held through percentage interests in three joint ventures. About one third of our gas reserves are now on production.

Rayrock has a 20% interest and management of the Nevada gold deposit of the Pinson Joint Venture which it is planned to have in production by early 1981. Pyx Explorations, which is effectively controlled by Rayrock, holds 54.5% of Norita Quebec Mines and Rayrock also holds a 14.5% direct interest in Norita. The Norita mine at Matagami, Quebec, is being developed and mined by Noranda Mines. Norita receives a royalty of 25¢ per ton for the first two million tons milled and also has a 25% net profits interest in the mine after recovery of pre-production expenditures by Noranda. Rayrock is active in mining exploration joint ventures in the United States and in Spain.

Open pit ore reserves at the Pinson gold deposits are calculated at 1,400,000 tons of 0.18 ounces per ton and 3,000,000 tons of 0.08 ounces per ton. The Royal Bank has committed to a \$10 million project loan and \$2 million overrun financing, subject to the project sponsors spending a total of \$3 million of which \$1 million has already been spent. At \$225 gold the bank loan would be repaid in less than three years. There are five years' reserves in the first pit and about seven years' reserves of low grade ore. A general manager has been engaged, and construction will be underway late this year.

Production for the first five months of 1979 at the Norita Mine has averaged 1,027 tons per day. Mining of the A Zone has not yet started but 45,082 tons of stope preparation and development ore were milled at an average grade of 3.25% zinc and 3.31% copper. Development plans for the A Zone call for the shaft to be deepened 850 feet to a depth of 2,550 feet and preparation work is now well advanced. The 2200 level will be the new main production level. The 2350 level will be developed to explore the deep drill intersections lying below the A Zone. It may be recalled that several holes drilled to test the lower limits of the A Zone intersected other mineralized zones deeper in the holes. Four of these intersections appear to be on the geological horizon which hosts the Main Zone in the upper part of the mine. The intersection in UN-68 where a true width of 35 feet averaged 6.66% copper is reported to lie between the A and Main Zones. This intersection is open for extension to the lower east.

Pyx Explorations Ltd. is participating in the Renaissance Joint Venture exploring for oil and gas and will be participating in the acquisition of petroleum acreage in several areas of Western Canada under the direction of a well-known and highly experienced exploration manager.

In association with a major resource company, Rayrock is negotiating for an equity interest in a

producing coal mining operation in Western Pennsylvania, one of the better locations for coal mining in the Eastern United States.

Working capital at June 30, 1979 was \$1,529,637 and market value of investments including shareholdings in effectively controlled Discovery Mines and Pyx Explorations totalled \$3,994,000.

Subsequent to June 30th your company created and sold to Discovery Mines Limited 100,000 six per cent cumulative redeemable voting preferred shares, Series A, for \$100,000.

On behalf of the Board

J. C. BYRNE
Chairman and Chief Executive Officer

D. R. CROMBIE
President

Toronto, Canada
July 24, 1979

RAYROCK RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Six Months Ended June 30, 1980

(Unaudited)

	1980	1979
SOURCE OF WORKING CAPITAL		
Current operations —		
Earnings for the period	\$1,143,227	\$ 156,608
Items which did not require the use of working capital —		
Extraordinary items	(736,267)	—
Deferred income taxes	95,000	50,000
Share of loss (earnings) on the equity method	78,132	(23,380)
Depreciation and amortization .	119,528	110,231
Gain on sale of investments . . .	(244,278)	(107,557)
Oil and gas exploration written off	—	57,095
	<u>455,342</u>	<u>242,997</u>
Proceeds on sale of investments	794,034	241,210
Proceeds on issue of capital stock . . .	62,360	—
Gas revenue — deferred	22,783	7,913
	<u>1,334,519</u>	<u>492,120</u>
USE OF WORKING CAPITAL		
Purchase of equipment	147,061	12,887
Additions to oil and gas properties . . .	583,429	239,565
Investments and advances	564,647	221,090
Purchase of capital stock	27,037	33,574
Mine development expense	412,497	20,940
Dividends paid on preferred shares . . .	2,500	—
	<u>1,737,171</u>	<u>528,056</u>
DECREASE IN WORKING CAPITAL	(402,652)	(35,936)
WORKING CAPITAL — BEGINNING OF PERIOD	979,579	1,565,573
WORKING CAPITAL — END OF PERIOD . .	\$ 576,927	\$1,529,637

RAYROCK RESOURCES LIMITED

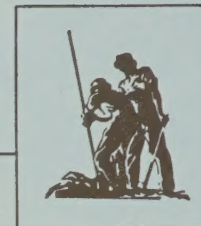
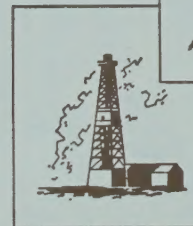
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CONSOLIDATED STATEMENT OF EARNINGS

For the Six Months Ended June 30, 1980

(Unaudited)

	1980	1979
REVENUE		
Revenue from oil and gas operations . .	\$1,113,070	\$ 902,495
Investment income	310,887	198,478
	<u>1,423,957</u>	<u>1,100,973</u>
EXPENSES		
Cost of oil and gas production	493,530	439,875
Administrative and general	80,104	104,824
Depreciation and amortization	119,528	110,231
	<u>693,162</u>	<u>654,930</u>
EARNINGS BEFORE UNDERNOTED ITEMS	730,795	446,043
EXPLORATION EXPENDITURES	140,367	270,315
	<u>590,428</u>	<u>175,728</u>
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	10,336	(7,500)
Deferred	95,000	50,000
	<u>105,336</u>	<u>42,500</u>
	<u>485,092</u>	<u>133,228</u>
SHARE OF (LOSS) EARNINGS DETERMINED BY THE EQUITY METHOD	(78,132)	23,380
EARNINGS BEFORE EXTRAORDINARY ITEMS	406,960	156,608
EXTRAORDINARY ITEMS — DETERMINED BY THE EQUITY METHOD	736,267	—
NET EARNINGS FOR THE PERIOD	\$1,143,227	\$ 156,608
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS	\$0.09	\$0.03
EARNINGS PER SHARE FOR THE PERIOD . .	\$0.25	\$0.03



**RAYROCK
RESOURCES
LIMITED**

**INTERIM
REPORT**

FOR SIX
MONTHS ENDED
JUNE 30, 1980

RAYROCK RESOURCES LIMITED

To the Shareholders:

Highlights:

- Pinson Gold Mine construction on schedule
- Discovery Mines Gordon Lake gold property in production
- Pyx amalgamation completed
- Earnings increase over 200%

At the Pinson Gold Mine in Nevada (26.5% owned by Rayrock), construction and mine development are proceeding as planned. Mine development to date has consisted of waste stripping and establishing haul roads. At the end of June, a second shift was added which has increased the mining rate to about 15,000 tons per day. On the construction site, the major foundation work has been completed, and structural steelwork is well advanced for the buildings, the crushing section, and the larger tanks. Preliminary heap leach tests have commenced to determine the leachability of the several million tons of low grade gold bearing rock that will be mined in the course of exposing the better grade reserves of milling ore.

The Gordon Lake gold property of Discovery Mines Limited (which company is 41% owned by Rayrock) was brought into production on July 11th. The rated capacity of the mill is 150 tons per day and first millfeed is coming from surface stockpiles. The shaft has been deepened to 1,050 feet and the mine is being developed on the 600, 800 and 1,000 foot levels. Although the quantity of proven reserves is small, the average grade is 0.62 ounces gold per ton. The operation is being financed and

managed by companies in the Noranda Mines group. Discovery expects to receive initial revenue before year-end.

Rayrock now holds 33% of the issued shares of Pyx Explorations Ltd. The amalgamation of Pyx, Norita Quebec Mines Limited and Amagami Mines Limited was approved by the shareholders and took effect as of June 30, 1980. The result of the amalgamation is that Pyx will receive \$5,000,000 over 3½ years from the sale of Norita Quebec's interest in the Norita mine. Pyx is now becoming more active in oil and gas exploration in Western Canada. The company has 9.28% net interest in a farm-in at Ferintosh, Central Alberta, where three indicated gas wells have been drilled, the best of which tested 4.3 million cubic feet per day. This drilling has earned an interest in 15 sections of land. In all, Pyx participated in drilling 13 wells in the first half of 1980, of which 10 were cased as indicated gas wells.

For the first six months of this year, Rayrock's oil and gas revenue was \$1,113,070 and for the second half it is expected to increase substantially.

Rayrock participated in drilling 15 wells in Alberta in the first half of 1980 which resulted in 10 gas wells and 5 dry holes. The Viking Joint Venture acquired interests of 25 to 50 percent in a further 17 sections of petroleum and natural gas rights at Alberta Government land sales. Further exploratory well drilling will be undertaken in the second half.

Earnings before an extraordinary gain for the six months ended June 30th, were \$406,960 (9¢ per share), which is more than double the \$156,608 for the same period in 1979. Investment income and revenue from oil and gas sales both were higher. Costs of oil and gas production increased,

principally due to bringing more wells on stream. Extraordinary income of \$736,267 is Rayrock's share in the equity of extraordinary items of its associated companies, Discovery Mines and Pyx Explorations. Working capital decreased by \$402,652 to \$567,927 due to substantial expenditures on oil and gas projects including Rayrock's 12% share of the cost of a gas processing plant. In addition, \$412,497 was expended on the Pinson Project prior to commencing draw downs of the bank project loan.

On behalf of the Board

J. C. BYRNE
Chairman and
Chief Executive Officer

D. R. CROMBIE
President and
Operations Manager

Toronto, Canada
August 12, 1980